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8 Attorneys for the United States

9 UNITED STATES DISTRICT COURT
10 NORTHERN DISTRICT OF CALIFORNIA
11 SAN FRANCISCO DIVISION

12 UNITED STATES OF AMERICA,

13 Plaintiff,

14 v.

15 MELVIN ROSCHELLE,

16 Defendant.

Criminal No. CR-03-20139 JF

17 PLEA AGREEMENT

18 I, Melvin Roschelle, and the United States Attorney's Office for the Northern District of
19 California (hereafter "the government") enter into this written plea agreement (the "Agreement")
20 pursuant to Rule 11(c)(1)(C) of the Federal Rules of Criminal Procedure:

21 The Defendant's Promises

22 1. I agree to plead guilty to Counts One through Twelve of the captioned
23 Superseding Indictment charging me with Tax Evasion in violation of 26 U.S.C. § 7201 (Counts
24 One through Four), and Making and Subscribing False Tax Returns in violation of 26 U.S.C. §
25 7206(1) (Counts Five through Twelve). I agree that the elements of the offenses of Tax Evasion
26 as charged in Counts One through Four are as follows:

27 a. The defendant owed more federal income taxes than were declared due on
28 the defendant's income tax return;

1 b. The defendant knew that more federal income taxes were owed than were
2 declared due on the defendant's income tax return;

3 c. The defendant made an affirmative attempt to evade or defeat the income
4 tax; and

5 d. In attempting to evade or defeat such additional tax, the defendant acted
6 wilfully.

7 I agree that the maximum penalties for these offenses are as follows:

- | | | |
|----------------|---------------------------------|----------------------------|
| 8 a. | Maximum prison sentence | 5 years |
| 9 b. | Maximum fine | \$250,000 |
| 10 c. | Maximum supervised release term | 3 years |
| 11 d. | Special assessment | \$100 |
| 12 e. | Restitution: | As determined by the Court |

13 I agree that the elements of the offenses of Making and Subscribing False Tax Returns as
14 charged in Counts Five through Twelve are as follows:

15 a. The defendant made and signed a tax return that contained false
16 information as to a material matter;

17 b. The defendant knew that this information was false;

18 c. The return contained a written declaration that it was being signed subject
19 to penalties of perjury; and

20 d. The defendant acted wilfully.

21 I agree that the maximum penalties for these offenses are as follows:

- | | | |
|-----------------|----------------------------------|----------------------------|
| 22 a. | Maximum prison sentence: | 3 years |
| 23 b. | Maximum fine: | \$250,000 |
| 24 c. | Maximum supervised release term: | 1 year |
| 25 d. | Mandatory special assessment: | \$100 |
| 26 e. | Restitution: | As determined by the Court |

1 2. I agree that I am guilty of the offense to which I will plead guilty, and I agree that
2 the following facts are true:

3 During 1996 through 2000, I was the owner and president of three corporations:
4 Innovative Services, Inc. dba Pacific Coast Services, a C-corporation in the business of supplying
5 office and coffee vending machines; Interior Expressions, Inc., an S-corporation, also in the
6 business of supplying office and coffee vending machines; and Snow Mountain Water Company,
7 Inc., an S-corporation that sells bottled water.

8 During these years, I caused to be paid by my corporations various personal expenditures
9 I made or incurred. I willfully mis-classified the personal expenditures as business expenses in
10 the corporations' books and records, and correspondingly improperly deducted the personal
11 expenditures as business expenses on the various relevant corporate tax returns, including, but
12 not limited to: (1) Big game hunting trips and related expenses, including travel and taxidermy
13 work; (2) expenses related to the defendant's residences; (3) other travel; and (4) various other
14 miscellaneous expenses.

15 By including these personal expenditures as business expenses on the corporate returns of
16 the corporations I owned, I was able to improperly reduce the total amount of taxes due and
17 owing by these corporations. In addition, I did not claim as dividend income on my personal
18 U.S. Individual Income Tax Returns for taxable years 1996, 1997, 1998 and 1999, the amounts
19 paid by my corporations corresponding to the personal expenditures I made or incurred and
20 which I willfully mis-classified as business expenses on the corporations' tax returns, thereby
21 improperly reducing the total amount of personal income taxes I owed for those years.

22 When I prepared or caused to be prepared the corporate returns for the corporations I
23 owned, I knew that the personal expenditures I had willfully mis-classified as business expenses
24 on the corporations' book and records, and which were correspondingly included on the
25 corporate returns, were my own expenditures and were not legitimate business expenses of my
26 corporations. I further knew that these personal expenditures should not have been charged to
27 my corporations as business expenses, and should not have been deducted by the corporations as
28 business expenses on the relevant corporate tax returns. I knowingly and willfully signed the

1 corporate returns under the penalty of perjury knowing that they were false as to material matters.

2 When I prepared or caused to be prepared my U.S. Individual Income tax returns for
3 taxable years 1996, 1997, 1998, and 1999, I knew that I had more income than was reported due
4 on the returns, and I willfully and knowingly failed to include such income on the returns. In
5 addition, I willfully and knowingly took the affirmative step of improperly classifying the
6 personal expenditures on the corporations' books and records to make it appear as if such
7 expenditures were proper business expenses, when I knew that they were not proper business
8 expenses but were instead my personal expenditures that should not have been charged as
9 expenses to my corporations.

10 3. I agree to give up all rights that I would have if I chose to proceed to trial,
11 including the rights to a jury trial with the assistance of an attorney; to confront and cross-
12 examine government witnesses; to remain silent or testify; to move to suppress evidence or raise
13 any other Fourth or Fifth Amendment claims; to any further discovery from the government; and
14 to pursue any affirmative defenses and present evidence.

15 4. I agree to give up my right to appeal my conviction, the judgment, and orders of
16 the Court. I also agree to waive any right I may have to appeal my sentence, including any orders
17 relating to forfeiture and/or restitution, unless the sentence is not in conformance with this
18 Agreement.

19 5. I agree not to file any collateral attack on my conviction or sentence, including a
20 petition under 28 U.S.C. § 2255, at any time in the future after I am sentenced, except for a claim
21 that my constitutional right to the effective assistance of counsel was violated.

22 6. I agree not to ask the Court to withdraw my guilty plea at any time after it is
23 entered, unless the Court declines to accept the sentence agreed to by the parties. I agree that the
24 government may withdraw from this agreement if the Court does not accept the agreed upon
25 sentence set out below.

26 7. I agree that my sentence should be calculated pursuant to the Sentencing
27 Guidelines. I understand that the Court, while not bound to apply the Guidelines, must consult
28 those Guidelines and take them into account when sentencing. I also agree that the Sentencing

Guidelines will be calculated pursuant to U.S.S.G. §§ 2T1.1 and 2T4.1 as follows, that the total tax loss for purposes of 26 U.S.C. §§ 7201 and 7206(1) is \$39,937.78, and that I will not ask for any other adjustments to or reductions of the offense level or for a downward departure of any kind:

a.	Base Offense Level:	=	12
b.	Tax loss:	=	\$39,937.78
c.	Acceptance of Responsibility: (If I meet the requirements of U.S.S.G. § 3E1.1)	=	- 2
d.	Adjusted offense level:	=	10

8. I agree that a reasonable and appropriate disposition of this case is as follows: A sentence of probation with a condition that substitutes three months of community confinement in a halfway house followed by three months of home detention on electronic monitoring for imprisonment, (U.S.S.G. § 5C1.1(c)(3)); a \$3,000 fine (U.S.S.G. § 5E1.2); a \$100 special assessment for each count to which I am pleading guilty, for a total of \$1,200 (U.S.S.G. § 5E1.3); and restitution of \$39,937.78 (U.S.S.G. § 5E1.1; 18 U.S.C. § 3663(a)(3)).

9. I agree that I will make a good faith effort to pay any fine, forfeiture or restitution. I am ordered to pay. Before or after sentencing, I will, upon request of the Court, the government, or the U.S. Probation Office, provide accurate and complete financial information, submit sworn statements and give depositions under oath concerning my assets and my ability to pay, surrender assets I obtained as a result of my crimes, and release funds and property under my control in order to pay any fine, forfeiture, or restitution. I agree to pay the special assessment at the time of sentencing.

10. I agree that the total amount of restitution reflected in this Agreement results from my fraudulent conduct. The total amount of restitution consists of the following:

Entity and Type of Return	Tax Year Ending	Tax Due
Innovative Services, Inc., Form 1120	04/30/1996	\$ 3,129.93
Innovative Services, Inc., Form 1120	04/30/1997	\$ 3,779.42
Innovative Services, Inc., Form 1120	04/30/1998	\$ 6,274.43

Innovative Services, Inc., Form 1120	04/30/1999	\$11,666.45
Innovative Services, Inc., Form 1120	04/30/2000	\$15,087.55
Total Tax Due		\$39,937.78

11. I agree to pay the restitution reflected in this Agreement by making payment in full thereof within thirty (30) days after the date upon which I am sentenced. If I am unable to make full payment of the restitution within thirty (30) days after the date upon which I am sentenced, I agree to make a complete and accurate financial disclosure to the Internal Revenue Service on forms prescribed by the Internal Revenue Service (including, but not limited to, IRS Form 433-A and Form 433-B, as appropriate). I also agree to provide the above-described information to the probation office.

12. I agree that, unless the Director of the Administrative Office of the United States Courts directs me otherwise, all payments made pursuant to the Court's restitution order are to be sent only to the Clerk of the Court at the following address:

United States District Court for the
Northern District of California
450 Golden Gate Avenue, 16th Floor
San Francisco, California 94102

13. With each payment to the Clerk of the Court made pursuant to the court's restitution order, I agree that I will provide the following information:

- A. My name and social security number;
- B. The District Court docket number assigned to this case;
- C. The tax years or periods for which restitution has been ordered;
- D. A statement that the payment is being submitted pursuant to the District Court's restitution order; and
- E. A request that the Clerk of the Court send the information contained in subparagraphs A-D of this paragraph, above, along with my payments, to the appropriate office of the Internal Revenue Service.

14. I agree to send a copy of any documents reflecting payments made pursuant to this Agreement, along with the information listed in subparagraphs A through E of paragraph 13,

1 above, to the Internal Revenue Service at the following address:

2 Dan Sutherland
3 Revenue Agent
4 Internal Revenue Service
5 55 South Market Street
6 San Jose, California 95113

7 15. I understand that I am not entitled to any credit, either with the Internal Revenue
8 Service or with the District Court, for any payment sent to an incorrect address or accompanied
9 by incomplete or inaccurate information.

10 16. I agree that I will sign any IRS forms necessary solely for the purpose of enabling
11 the Internal Revenue Service to make immediate assessment of the taxes I have agreed to pay as
12 restitution under this Agreement. The forms I agree to sign may include, but are not limited to,
13 IRS Forms 4549 and 870. I agree not to file any claims for refund of the taxes represented by any
14 amount of restitution paid pursuant to this Agreement.

15 17. I agree to cooperate in good faith with any IRS civil audit or civil investigation in
16 an effort to determine the accurate amount of outstanding tax liabilities, including any penalties
17 and interest, for which I may be liable for the time periods covered by this Agreement. I agree
18 that this Agreement does not bar the Internal Revenue Service from making a civil determination
19 with respect to additional taxes, interest and penalties for which I may be liable, including the
20 assessment and collection thereof, for the time periods covered by this Agreement and the
21 captioned Superseding Indictment. I agree that this Agreement does not bar me from civilly
22 contesting any such liabilities as determined by the Internal Revenue Service.

23 18. I agree not to commit or attempt to commit any crimes before sentence is imposed
24 or before I surrender to serve my sentence. I also agree not to violate the terms of my pretrial
25 release (if any); intentionally provide false information to the Court, the Probation Office,
26 Pretrial Services, or the government; or fail to comply with any of the other promises I have
27 made in this Agreement. I agree that, if I fail to comply with any promises I have made in this
28 Agreement, then the government will be released from all of its promises in this agreement,
including those set forth in paragraphs 21 and 22 below, but I will not be released from my
guilty plea.

1 19. I agree that this Agreement contains all of the promises and agreements between
2 the government and me, and I will not claim otherwise in the future.

3 20. I agree that this Agreement binds the U.S. Attorney's Office for the Northern
4 District of California only, and does not bind any other federal, state, or local agency.

5 The Government's Promises

6 21. The government agrees not to file or seek any additional charges against the
7 defendant that could be filed as a result of the investigation that led to the captioned indictment.

8 22. The government agrees that the reasonable and appropriate sentence in this case
9 should be as set forth in paragraph 8 above, unless the defendant violates the agreements as set
10 forth in paragraphs 9 through 18, above.

11 The Defendant's Affirmations

12 23. I confirm that I have had adequate time to discuss this case, the evidence, and this
13 Agreement with my attorney, and that he has provided me with all the legal advice that I
14 requested.

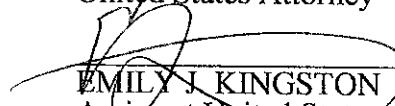
15 24. I confirm that while I considered signing this Agreement, and at the time I signed
16 it, I was not under the influence of any alcohol, drug, or medicine.

17 25. I confirm that my decision to enter a guilty plea is made knowing the charges that
18 have been brought against me, any possible defenses, and the benefits and possible detriments of
19 proceeding to trial. I also confirm that my decision to plead guilty is made voluntarily, and no
20 one coerced or threatened me to enter into this agreement.

21 Dated: 4/6/05

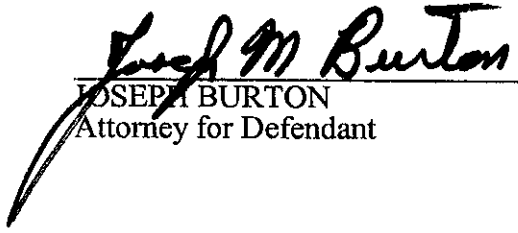

MELVIN ROSCHELLE
Defendant

25 Dated: 4/6/05

24 KEVIN V. RYAN
United States Attorney

EMILY J. KINGSTON
Assistant United States Attorney

1 I have fully explained to my client all the rights that a criminal defendant has and all the
2 terms of this Agreement. In my opinion, my client understands all the terms of this Agreement
3 and all the rights he is giving up by pleading guilty, and, based on the information now known to
4 me, his decision to plead guilty is knowing and voluntary.

5
6 Dated: 4/6/05


JOSEPH BURTON
Attorney for Defendant